

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-11 ADP-00 INT-08 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO

INFO AMCONSUL TIJUANA

AMCONSUL MEXICALI

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E. O. 11652: N/ A

TAGS: EMIN, ETRD

SUBJECT: STEEL- JAPANESE INVESTMENT IN WIRE- DRAWING
FACILITY IN MEXICO

REF: MEXICO 2578

1. KYLE (EB/ ICD) MET WITH JAMES WALKER (PRESIDENT OF DAVIS- WALKER), RUSS KENDALL,(VICE- PRESIDENT) AND JACK WASSERMAN (COUNSEL FOR INDEPENDENT WIRE DRAWERS ASSOCIATION) APRIL 16. ACCORDING TO KENDALL, NISSHIO- IWAI' S PLANS TO CONSTRUCT WIRE- DRAWING FACILITY NEAR TIJUANA ARE FIRM. HE ADMITTED, HOWEVER, THAT ALL HE HAD TO GO ON WAS ROSETT' S STATEMENT. BASED ON INFORMATION OBTAINED BY AMEMBASSY TOKYO FROM NISSHIO- IWAI INFORMANT, KYLE STATED THAT DECISION TO CONSTRUCT FACILITY HAS NOT BEEN MADE AND MAY NOT BE MADE FOR SOME TIME.

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2. FYI. ACCORDING TO NISSHIO- IWAI INFORMANT, DISCUSSIONS ARE STILL UNDER WAY WITH AMATEI COMPANY AND KOBE STEEL. LATTER COMES INTO PICTURE SINCE AMATEI COMPANY PURCHASES WIRE FROM KOBE STEEL AND KOBE STEEL OWNS 25 PERCENT AMATEI COMPANY STOCK. TWO POINTS ARE STILL AT ISSUE IN THE DISCUSSIONS: (A) WHETHER FACILITY SHOULD BE BUILT WITH ALL JAPANESE CAPITAL OR IF A MEXICAN OR US PARTNER SHOULD BE

SOUGHT AND (B) WHETHER FACILITY SHOULD GET WIRE SUPPLY FROM JAPAN OR US.

3. NISSHIO- IWAI CONSIDERING FACILITY TO PRODUCE ONLY NAILS, WITH PRODUCTION OF 500,1000 TONS A MONTH. PLAN IS TO SELL 60 PERCENT OF PRODUCTION IN US AND 40 PERCENT IN MEXICO. FACILITY WOULD EMPLOY 70-100 PEOPLE AND WOULD COST APPROXIMATELY ONE MILLION DOLLARS TO CONSTRUCT AND EQUIP. INFORMANT STATED US NAIL PRODUCERS SUPPLY ONLY 50 PERCENT US MARKET AND HAVE NO PLANS TO EXPAND. AT PRESENT 90 PERCENT US NAIL IMPORTS COME FROM JAPAN BUT RISING PRICES MAY FORCE JAPAN OUT OF US MARKET. GIVEN VIEW THAT US INDUSTRY HAS NO PLANS TO EXPAND, NISSHIO- IWAI DOES NOT FEEL IT WILL BE CRITICIZED FOR INVESTMENT IN MEXICO.

4. AT FIRST NISSHIO- IWAI CONSIDERED ESTABLISHING NAIL FACILITY IN US BUT CONCLUDED THAT LABOR- INTENSIVE PLANT OF THIS TYPE WOULD NOT BE ECONOMIC TO OPERATE GIVEN HIGH US LABOR COSTS. FURTHER, IF MEXICAN PLANT USES US WIRE TO PRODUCE NAILS, IT WILL RECEIVE BREAK ON NAILS GOING BACK INTO US. NISSHIO- IWAI HAS ALSO CONCLUDED THAT WITH RECENT CURRENCY SHIFTS, WIRE CAN BE DELIVERED TO MEXICO FROM US AT ABOUT SAME PRICE AS JAPANESE COMPANIES SUPPLY WIRE TO NAIL PRODUCERS IN JAPAN. END FYI. ROGERS

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